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C O N F I D E N T I A L STATE 247245

FOLLOWING REPEAT BRASIL 8441 ACTION SECSTATE INFO RIO DE JANEIRO
SAO PAULO 30 SEP 76

QUOTE

C O N F I D E N T I A L BRASILIA 8441

E.O. 11652: GDS

TAGS: PINT, BR

SUBJ: CURRENT ASSESSMENT OF INTERNAL POLITICAL SITUATION: GEISEL'S
POSITION AS ELECTIONS NEAR

REFS: A) BRASILIA 8391, B) BRASILIA 7387, C) RIO DE JANEIRO 3591,
D) BRASILIA 4690

SUMMARY: WITH ELECTIONS ONLY SIX WEEKS AWAY AND FACING SERIOUS
ECONOMIC PROBLEMS, PRESIDENT GEISEL CONFRONTS RENEWED
DISPLAYS OF DISAFFECTION AMONG SOME CONSERVATIVE ELEMENTS
IN THE MILITARY AND SECURITY FORCES, THEIR ALLIES IN THE
POLITICAL CLASS AND IN THE PRIVATE BUSINESS COMMUNITY.
CHIEF CAUSE OF THE DISGRUNTLEMENT IS WHAT IS SEEN AS GEISEL'S
LATENT LIBERALIZING TENDENCIES--AS EVIDENCED BY HIS
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DETERMINATION TO PERMIT NOVEMBER MUNICIPAL ELECTIONS AT RISK
OF MAJOR DEFEAT FOR GOVERNMENT. REINFORCING THEIR CONCERN
OVER GEISEL'S COURSE IS UNEASINESS OVER THE POOR ECONOMIC SITUATION
SIGNS OF DECLINING PUBLIC SUPPORT FOR THE GOVERNMENT, AND

GREATER AGGRESSIVENESS BY THE NEWS MEDIA. PRESIDENT IS STILL RESISTING POLITICAL AND PSYCHOLOGICAL PRESSURES FROM THE RIGHTIST DISSIDENTS TO REIN IN THE OPPOSITION AND THE PRESS AND CRACK DOWN ON SUBVERSIVES. HIS POSITION REMAINS GENERALLY STRONG BECAUSE OF HIS CONTINUING SUPPORT AMONG THE MILITARY AS A WHOLE, AND AMONG THE TECHNOCRATS AND MUCH OF THE POLITICAL CLASS AND GENERAL PUBLIC. IF THE GOVERNMENT'S POLITICAL PARTY, ARENA, MAKES AN ACCEPTABLE SHOWING IN THE NOVEMBER ELECTIONS, THE PRESIDENT WILL REMAIN IN FAIRLY STRONG POSITION TO CONTINUE HIS POLITICAL COURSE. BUT A SERIOUS AND UNDISGUISSABLE ARENA DEFEAT COULD FORCE GEISEL TO YIELD TO RIGHTIST DEMANDS FOR GREATER AUTHORITARIANISM. END SUMMARY.

1. PRESIDENT GEISEL IN SEPTEMBER COMPLETED THE FIRST HALF OF HIS FIVE-YEAR TERM. THIS MILESTONE, TOGETHER WITH THE IMMINENCE OF THE NOVEMBER MUNICIPAL ELECTIONS--NOW LESS THAN SIX WEEKS AWAY--WARRANTS AN ASSESSMENT OF THE CURRENT INTERNAL POLITICAL SITUATION. CIRCUMSTANCES HAVE BROUGHT ABOUT A RESURGENCE IN RECENT MONTHS OF DISAFFECTION AMONG SOME OF THE MORE CONSERVATIVE ELEMENTS OF REVOLUTIONARY ESTABLISHMENT WITH GEISEL'S COURSE. THE UNDERLYING CATALYST IN HIS DISAFFECTION ON THE RIGHT, AND CENTRAL TO THIS ASSESSMENT OF GEISEL'S STANDING WITH MAJOR POWER CENTERS OF THE REVOLUTION, IS THE PRESIDENT'S APPROACH TO THE NOVEMBER ELECTIONS AND THEIR CONSEQUENCES. THE PRINCIPAL CAUSE OF THIS DISAFFECTION IS WHAT CONSERVATIVE FORCES PERCEIVE AS GEISEL'S LATENT INTEREST IN PERSISTING IN A STRATEGY OF MODEST POLITICAL LIBERALIZATION DESPITE THE PRESIDENT'S PUBLIC PLEDGE IN 1975 TO SLOW MARKEDLY THE PACE OF DISTENSAO. STEPS TAKEN BY THE PRESIDENT, OR ATTITUDES DISPLAYED, HAVE BEEN VIEWED BY CONSERVATIVE SECTORS AS A REPUDIATION OF THE REVOLUTIONARY PRINCIPLES AS THEY EVOLVED IN THE MEDICI PERIOD--WITH THE CONSEQUENCES OF HIS DEVIATION BEING UNFORESEEABLE. CONFIDENTIAL

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2. THIS DISAFFECTION INTERACTS WITH AND IS REINFORCED BY:
(A) THE GENERALLY POOR SITUATION OF THE ECONOMY (DESCRIBED BY REF A) AND RESULTING SOCIAL AND POLITICAL TENSIONS;
(B) THE POLITICAL UNCERTAINTIES STEMMING FROM INCREASING SIGNS OF THE REVOLUTIONARY GOVERNMENT'S SLIPPING POPULARITY--DESPITE GEISEL'S OWN PERSONAL POPULARITY--AND MANIFESTATIONS OF PSYCHOLOGICAL FATIGUE AMONG GENERAL PUBLIC AFTER 12 YEARS OF THE REVOLUTION;
AND (C) THE GREATER AGGRESSIVENESS ON SENSITIVE NATIONAL ISSUES DISPLAYED BY THE MEDIA SINCE GEISEL'S QUIET REDUCTION OF CENSORSHIP.

3. POLES OF DISAFFECTION--INTERNAL DISAFFECTION, WE

BELIEVE, IS SCATTERED MAINLY AMONG THE MORE CONSERVATIVE SECTORS OF THE MILITARY, PARTICULARLY THOSE WHO HAVE SOME INSTITUTIONAL INVOLVEMENT IN COMBATING THE VARIOUS FORMS OF DISSENT THAT THE GOVERNMENT LOOSELY TERMS "SUBVERSION." ALSO SHARING THEIR CONCERNS ARE NUMBER OF RETIRED OFFICERS OR THOSE CLOSELY ASSOCIATED IN THE PAST WITH MORE CONSERVATIVE ADMINISTRATIONS SUCH AS THAT OF EX-PRESIDENT MEDICI. SOME SUPPORT IS ALSO PRESENT IN SOME QUARTERS OF THE NON-MILITARY SECURITY APPARATUS, SUCH AS IN SECURITY APPARATUSES OF THE MAJOR STATE GOVERNMENTS, AND IN THE MINISTRY OF JUSTICE.

4. AS FAR AS WE CAN DETERMINE, THE OTHER MAJOR POLE OF DISAFFECTION IS AMONG ELEMENTS OF THE PRIVATE ENTREPRENEURIAL CLASS, CENTERED IN SAO PAULO. IN ADDITION, SOME RHETORICAL SUPPORT HAS BEEN CONSISTENTLY PROVIDED BY THE CIVILIAN ALLIES OR SPOKESMEN OF THE CONSERVATIVE MILITARY WITHIN THE POLITICAL CLASS, SUCH AS SENATOR DINARTE MARIZ AND CHAMBER OF DEPUTIES MAJORITY LEADER JOSE BONIFACIO.

5. DISAFFECTION AMONG THESE ELEMENTS HAS VARIED IN INTENSITY SINCE GEISEL TOOK OFFICE, BUT IT RESURFACED MARKEDLY DURING JULY AND AUGUST. ITS MOST DRAMATIC MANIFESTATION WAS THE PUBLIC ATTACK IN JULY BY FORMER PRESIDENT MEDICI ON LIBERAL TRENDS IN THE GOVERNMENT, FOLLOWED UP BY SIMILAR PUBLIC WARNINGS BY FORMER CONFIDENTIAL

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ASSOCIATES OF MEDICI SUCH AS ONE TIME MINISTER OF TRANSPORTATION MARIO ANDREAZZA. THE PUBLIC POLITICAL PROCESS DURING THAT PERIOD HAS FEATURED MORE THAN THE USUAL NUMBER OF APPEALS FOR THE RESUMPTION OF AUTHORITARIANISM OR FOR THE CRACKDOWN OF ALLEGED "SUBVERSIVES" IN THE PRESS, OPPOSITION, CHURCH AND UNIVERSITIES, SPEARHEADED BY A SERIES OF VIRULENT SPEECHES IN THE CHAMBER BY JOSE BONIFACIO (REF B). IN RECENT MONTHS THERE HAS BEEN SOME RESUMPTION OF THE UNDERGROUND PSYCHOLOGICAL WARFARE AGAINST GEISEL'S POLICIES AND SOME OF HIS MINISTERS THAT MARKED THE EARLY MONTHS OF 1975. THIS WHISPERING CAMPAIGN HAS FEATURED A SERIES OF POINTED RUMORS OF IMPENDING CRISES AND CONFRONTATIONS, OR PREDICTIONS, IN SOME CASES TRACEABLE TO SOURCES IN THE SECURITY FORCES, OF IMMINENT CURBS ON GEISEL AND HIS LIBERALIZING TENDENCIES. IN AT LEAST ONE CASE ANONYMOUS LEAFLETS WERE CIRCULATED ATTACKING WAR MINISTER GENERAL SYLVIO FROTA FOR ACQUIESCING IN GEISEL'S REMOVAL IN JANUARY 1976 OF SECOND ARMY COMMANDER GENERAL EDNARDO D'AVILA MELLO. BUT A RECENT AND MORE DRAMATIC MANIFESTATION IS THE SURGE OF TERRORIST ACTS ON PERSONS OR ESTABLISHMENTS TAINTED WITH LIBERALISM OR "SUBVERSION." WHILE THE BOMB ATTACKS ON THE BRAZILIAN

BAR AND PRESS ASSOCIATIONS AND ON THE HOUSE OF A RIO
NEWSPAPER PUBLISHER, AND THE PUBLIC HUMILIATION OF THE
LIBERAL BISHOP OF NOVA IGUAÇU (REF C) APPEAR NOT
INTENDED TO KILL, THEY POINT TOWARD A NEW AND DISTURBING
DIRECTION IN THE INTERNAL POLITICAL STRUGGLE.

6. CONCERNS AMONG CONSERVATIVE SECTORS--CONCERN OVER
LIBERALIZATION, OR WHAT THE CONSERVATIVES MIGHT EQUATE WITH
THE RECRUDESCENCE OF SUBVERSION, DIFFERS SOMEWHAT BETWEEN THE
MILITARY/SECURITY FORCES AND THE ENTREPRENEURIAL INTERESTS.
FOR THE DISSENTERS IN THE MILITARY THE OVERRIDING CONCERN
IS THAT, IF HELD UNDER CONDITIONS OF RELATIVE FREEDOM, THE
NOVEMBER 15 MUNICIPAL ELECTIONS WILL REVEAL WIDESPREAD
DISENCHANTMENT WITH THE REVOLUTION, TO THE EXTENT OF CASTING
DOUBT ON ITS PERMANENCE. THEY FEAR THAT THE GREATER FREEDOM
THAT GEISEL HAS ALLOWED THE PRESS WILL ENABLE SUBVERSIVES
TO IMPUGN THE REVOLUTION AND ULTIMATELY EVEN TO ATTACK THE
MILITARY INSTITUTION ITSELF. AT THE SAME TIME, GEISEL'S
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RESTRAINTS SINCE LATE 1975 ON THE FREEDOM OF ACTION AND
THE METHODS OF THE SECURITY FORCES IN DEALING WITH SUSPECTS
IS SEEN AS NURTURING THE GROWTH OF SUBVERSION. MOREOVER,
WE HAVE RECEIVED SEVERAL RECENT INDICATIONS OF A NEWLY
AWAKENED FEAR AMONG THE MILITARY OF REPRISALS AGAINST
THE MILITARY ITSELF IF ANTIREVOLUTIONARY ELEMENTS GAIN MORE
STRENGTH. THIS POINT OF CONCERN MAY BE OVERRIDING:
THE MILITARY IS PLEDGED NEVER TO PERMIT ITSELF TO BE PUT
IN THE DOCK. THESE SPECIFIC FEARS TRANSLATE INTO A
GENERAL UNEASINESS THAT GEISEL'S PRESUMED LIBERALIZING
TENDENCIES THREATEN THE RETURN OF THE DESTRUCTIVE HIGH
MILITARIZATION POLITICS THAT THE REVOLUTION
EXTINGUISHED. WE THINK THAT WILLINGNESS OF GEISEL, AND
FOREIGN MINISTER SILVEIRA, TO EMPHASIZE BRAZIL'S THIRD
WORLD IDENTIFICATION AND TO EXTEND CONTACTS WITH
COMMUNIST AND RADICAL MARXIST STATES CONTRIBUTES
TO THE GENERAL DISAFFECTION, THOUGH NOT AS A MAJOR
DETERMINANT.

7. THE CONCERNS OF THE ENTREPRENEURIAL CLASS DIFFER IN
EMPHASIS FROM THOSE OF THE MILITARY, BUT THERE IS SOME
OVERLAP AND A CONTINUING EFFORT BY THE ENTREPRENEURS TO
FIND COMMON GROUND WITH THE MILITARY. A PERSISTENT AND
LONGSTANDING ANXIETY AMONG PRIVATE ENTREPRENEURS IS THAT
POLITICAL LIBERALIZATION WILL GIVE VENT TO NOW CONSTRAINED
SOCIAL AND ECONOMIC PRESSURES, ULTIMATELY WEAKENING THE
EXISTING TIGHT CONTROL OVER THE LABOR FORCE. THE GEISEL
ADMINISTRATION'S RESTRICTIVE POLICIES ON CREDIT AND
IMPORTS ARE RESENTED FOR THEIR INEVITABLE NEGATIVE
EFFECTS ON PROFIT AND BUSINESS EXPANSION. IN SOME
CASES THERE MEASURES ARE DOUBLY GALLING IN THAT THEY
ARE REGARDED AS HAVING BEEN TAKEN BY GEISEL AND HIS

TECHNOCRATIC ADVISERS WITH LITTLE OR NO CONSULTATION WITH THE BUSINESS SECTOR, REINFORCING BUSINESS CLASS' RESENTMENT OVER THE LIMITED INFLUENCE AND ACCESS THEY ENJOY UNDER GEISEL, RELATIVE TO THE PARAMOUNT POSITION THEY HELD UNDER PRESIDENT MEDICI AND HIS ECONOMIC CZAR DELFIM NETO. A PARALLEL ISSUE USED BY THE ENTREPRENEURS AGAINST GEISEL AND HIS ADVISERS IS THAT OF STATE COMPETITION WITH THE PRIVATE SECTOR, GIVING RISE TO DEMANDS FOR "DESTATIZING" PUBLIC ENTERPRISES AND CHARGES OF CORRUPTION AND MISMANAGEMENT
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BY THE TECHNOCRATS IN THE ECONOMIC MINISTRIES, STATE CONTROLLED BANKS AND STATE ENTERPRISES.

8. OBJECTIVES OF RIGHTIST DISSIDENTS--AT THE EXTREME, SOME OF GEISEL'S OPPONENTS WITHIN THE MILITARY AND ENTREPRENEURIAL CLASS WOULD HOPE FOR HIS COMPLETE OUSTER AND REPLACEMENT BY A PRESIDENT WHO WOULD IMPOSE UNRELENTING AND UNQUALIFIED AUTHORITARIAN RULE, THOUGH MOST OF THEM RECOGNIZE THAT THIS IS PROBABLY AN UNATTAINABLE OBJECTIVE. THEY SEEK PRINCIPALLY TO FORCE GEISEL TO ABJURE HIS LIBERALIZING TENDENCIES AND TO DEMONSTRATE HIS RENEWED COMMITMENT TO CONSERVATIVE REVOLUTIONARY PRINCIPLES BY (1) REMOVING THE RESTRAINTS ON THE SECURITY FORCES IN THE PURSUIT OF SUBVERSIVES; (2) RESTORING PRESS CENSORSHIP; (3) PLACING NEW AND TIGHTER CONTROLS ON THE OPPOSITION IN THE ELECTION CAMPAIGN OR CANCELING THE ELECTIONS ENTIRELY, AND (4) DISMISSING PERSONALITIES IN HIS GOVERNMENT THAT ARE NON-GRATA TO THEM, SUCH AS FINANCE MINISTER SIMONSEN, MINISTRY OF TRADE AND INDUSTRIES SEVERO GOMES, CHIEF OF THE CIVIL HOUSE HOLD GOLBERY, AND FOREIGN MINISTER SILVEIRA. AS WE SEE IT, AN OBJECTIVE OF EQUAL IMPORTANCE FOR THEM WOULD BE TO PLACE THEMSELVES IN A POSITION TO CHOOSE GEISEL'S SUCCESSOR IN 1979 AND TO CONTROL FULLY HIS SUCCESSOR AS PRESIDENT FROM 1979 ONWARD.

9. GEISEL STILL DEALING FROM STRENGTH. ON BALANCE, FROM INFORMATION CURRENTLY AVAILABLE TO US, WE BELIEVE GEISEL STILL RETAINS SUFFICIENTLY STRONG POSITION TO PRESERVE HIS POLICYMAKING AUTONOMY AND TO RESIST PRESSURES FROM RIGHTIST DISSIDENTS. FUNDAMENTAL IS OUR ASSESSMENT THAT GEISEL STILL HAS BROAD AND FAIRLY DURABLE SUPPORT AMONG THE MILITARY. WORKING IN HIS FAVOR IS THE STRONG TRADITION OF LOYALTY AND UNITY OF THE BRAZILIAN ARMED FORCES. WHATEVER HIS IDEOLOGICAL DEVIATIONS SO FAR, GEISEL IS STILL LOOKED ON BY MOST OF THE ARMY AS ONE OF ITS OWN. DESPITE OCCASIONAL GRUMBLINGS AT ALL LEVELS, THIS SOLIDARITY REMAINS A PASSIVE BUT NONETHELESS POWERFUL FORCE IN HIS FAVOR. HE HAS ENHANCED HIS SUPPORT AND CONTROL AMONG UPPER ECHELON OFFICERS BY CAREFUL PLACEMENT OF OFFICERS LOYAL TO HIM IN KEY POSITIONS AND BY PUSHING THROUGH NEW LAW TO STRENGTHEN HIS CONTROL OVER GENERAL

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OFFICER PROMOTIONS. HE INCREASED HIS ACCEPTANCE AT ALL LEVELS WITH RELATIVELY GENEROUS PAY INCREASES FOR OFFICERS EARLY THIS YEAR. MANY OF THE MILITARY OFFICERS CLOSE TO THE ADMINISTRATION OR FAMILIAR WITH IT, MOREOVER, ARE NOW SOPHISTICATED ENOUGH TO APPRECIATE THE SERIOUSNESS AND COMPLEXITY OF THE ECONOMIC PROBLEMS PLAGUING GEISEL. THEY ARE LESS LIKELY TO BE SEDUCED BY RIGHT-WING SLOGANS OR OVERLY FACILE ANALYSES. ON THE POLITICAL SIDE, A SMALL BUT GROWING SEGMENT OF THE MILITARY IS NOT HOSTILE TO THE MDB--AS THE GOOD SHOWING OF MDB CANDIDATES IN SOME HEAVY MILITARY PRECINCTS IN 1974 ELECTIONS SHOWED-- AND ARE UNIMPRESSED BY ARGUMENTS EQUATING NORMAL OPPOSITION ACTIVITIES WITH SUBVERSION. FINALLY SOME FEW OFFICERS FEAR THAT CONTINUED POLITICAL IMMOBILITY WILL PRODUCE UNCONTROLLABLE PRESSURES OVER TIME WITH SERIOUS DISUNIFYING EFFECTS IN THE MILITARY. BY AND LARGE THE BULK OF BRAZIL'S MILITARY OFFICER CORPS NOW PREFERS TO THINK AS ITSELF AS NON-POLITICAL AND PROFESSIONAL. THIS TENDENCY CONSTITUTES A RESERVOIR OF AT LEAST PASSIVE SUPPORT FOR GEISEL AND HIS POLICIES.

10. OUTSIDE THE MILITARY ESTABLISHMENT, GEISEL CONTINUES TO ENJOY CONSIDERABLE PUBLIC POPULARITY AND TRUST--A PERSONAL POPULARITY THAT IS STRIKINGLY GREATER THAN THAT EITHER OF THE ADMINISTRATION HE HEADS OR ARENA, THE POLITICAL PARTY HE NOMINALLY LEADS. IN GENERAL, EVEN AMONG THE OPPOSITION MDB, GEISEL IS GIVEN CREDIT AT LEAST FOR GOOD INTENTIONS. AND WITHIN THE MDB THERE IS INCREASING RECOGNITION THAT ANY ALTERNATIVE TO GEISEL AT THIS STAGE WOULD PROBABLY BE MORE REPRESSIVE. GEISEL ALSO STILL HAS STRONG SUPPORT AMONG THE TECHNOCRATS OF THE MINISTRIES AND IN THE STATE-CONTROLLED ENTERPRISES. HE HAS RESPECTED AND ENHANCES THEIR PERQUISITES, SUPPORTED THEM AND IN GENERAL HAS ALIGNED HIMSELF WITH THEIR POLICY PREFERENCES.

1. GEISEL'S OPPONENTS IN THE MILITARY AND ON THE RIGHT, ON THE OTHER HAND, IN OUR JUDGMENT ARE STILL SCATTERED AND LACK SUFFICIENT BROAD SUPPORT WITHIN THE LARGER MILITARY ESTABLISHMENT, BUT WHILE THESE ELEMENTS MUST KEEP THEIR HEADS DOWN, BY THEIR INFLUENCE OVER INTELLIGENCE MACHINERY AND OVER CHANNELS OF COMMUNICATION, THEY REMAIN IN A POSITION TO MANUFACTURE OR EXAGGERATE "SUBVERSIVE PLOTS"

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TO PRESSURE GEISEL OR HIS TOP COMMANDERS. EVEN SO, SUPERVISION OVER THEIR ACTIVITIES, WHICH HAS VARIED IN INTENSITY IN THE PAST, IS NOW CLOSER BECAUSE OF THE PRESIDENT'S CAREFUL PLACEMENT OF OFFICERS OF HIS PERSONAL TRUST AND CONFIDENCE IN KEY COMMAND POSITIONS. EXAMPLES

WERE HIS CHOICE OF GENERAL DILLERMANO MONTEIRO TO HEAD THE SECOND ARMY IN SAO PAULO, AND GENERAL ANTONIO SILVA DOS CAMPOS TO REPLACE GENERAL CONFUCIO DANTON DE PAULO AVELINA, A PROPONENT OF A HARSH ANTICUBVERSIVE LINE, AS CHIEF OF THE ARMY INTELLIGENCE CENTER. NEVERTHELESS, ELEMENTS IN THE SECURITY FORCES AND THEIR ALLIES APPEAR TO RETAIN ENOUGH SECRECY AND AUTONOMY TO ASSIST OR ENCOURAGE RIGHT-WING TERRORIST ACTIVITIES, WHICH THOUGH LIMITED IN SCOPE, EMBARRASS THE GOVERNMENT, HELP INITIMIDATE THE OPPOSITION AND KEEP THE GENERAL POLITICAL ATMOSPHERE UNSETTLED.

12. OF THEMSELVES, THE DISGRUNTLED ELEMENTS AMONG THE BUSINESS COMMUNITY HAVE LITTLE CAPABILITY TO THREATEN THE GOVERNMENT. THOSE BUSINESS ELEMENTS THAT WE UNDERSTAND TO BE MOST INVOLVED ARE NOT TRULLY REPRESENTATIVE OF THE BROADER BUSINESS COMMUNITY AND THEIR PAST LINKS TO THE MILITARY HAVE ATTENUATED. UNDER GENERAL DISERMANO'S COMMAND, THE MILITARY IN THE SAO PAULO AREA IS MORE RESISTANT TO THE INDUCEMENTS OF THE BUSINESS COMMUNITY THAN IN THE PAST. IN OUR VIEW, WHAT SOME ANALYSTS HAVE PERCEIVED AS A "MEDICI GROUP" IS REALLY LITTLE MORE THAN A LOOSE ASSEMBLAGE OF SHARED ATTITUDES. ALTHOUGH MEDICI HAS SYMBOLICALLY BEEN USED AS A RALLYING POINT FOR RIGHTIST DISSIDENTS, WE INCLINED TO DOUBT THAT HE WOULD LEND HIMSELF TO A SERIOUS SUBVERSIVE EFFORT AS HE HIMSELF, AS A MILITARY CAREERIST, IS HEAVILY INFLUENCED BY THE VALUES OF SOLIDARITY OF THE ARMED FORCES AND THE COHESION CONTINUITY OF THE REVOLUTIONARY MOVEMENT AND WE HAVE REPORTS THAT HE HAS ALREADY REPENTED HIS JULY SPEECH.

13. GEISEL'S REACTIONS TO PRESSURES. SO FAR GEISEL, KNOWN FOR HIS STUBBORNESS, APPEARS TO BE RESISTING PRESSURES FOR FURTHER CHANGES IN HIS COURSE. ALTHOUGH GEISEL HAS PLAYED DOEN MANY ASPECTS OF "DISTENSAO" SINCE HIS AUGUST 1975 SPEECH, HE IS STICKING TO HIS COMMITMENT TO GO THROUGH WITH THE NOVEMBER 15 MUNICIPAL ELECTIONS. HE HAS, HOWEVER, CURBED
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THE MDB'S MEDIA ACCESS TO THE ELECTORATE BY FORCING THROUGH THE SO CALLED "LEI FALCAO" WHICH SHARPLY RESTRICTS USE OF TV BY MUNICIPAL CANDIDATES. (REF D) HE HAS DEPLOYED MUCH OF THE PUBLIC RELATIONS MACHINERY OF THE PRESIDENCY IN A PRO-ARENA, PRO-ADMINISTRATION CAMPAIGN, AND HAS COMMITTED SOME OF HIS OWN PRESTIGE AND PERSONAL POPULARITY IN BEHALF OF ARENA CANDATES. WHILE GEISEL IS REPORTED TO HAVE ACTED AGAINST THE MOST BLATANT TYPE OF INTIMIDATION OF MDB CANDIDATES BY STATE AND LOCAL OFFICIALS IN SOME AREAS, HE HAS MADE NO GENERAL EFFORT TO HALT HARRASSMENT OF THE OPPOSITION OR THE USE OF LOCAL GOVERNMENT MACHINERY AND PATRONAGE IN SUPPORT OF ARENA. HIGHLY PLACED OFFICIALS HAVE HINTED TO KEY NEWSMEN THAT PRESS CENSORSHIP MAY RESUME, BUT GEISEL HIMSELF HAS GIVEN NO INDICATION OF BACKING DOWN ON PRESS FREEDOM OR ON THE GOVERN-

MENT'S RECENT INCREASED RESPECT FOR HUMAN RIGHTS.

14. OTHER THAN A VAGUE STATEMENT IN LATE AUGUST DEPLORING EXTREMISM OF THE LEFT AND RIGHT WITHIN ARENA (A COMMENT WHICH WAS LATER REINTERPRETED TO APPLY TO EXTREMISM EVERYWHERE), THE PRESIDENT HAS NOT PERSONALLY MADE PUBLIC EXPRESSIONS OF DETERMINATION TO CURB RIGHTIST TERRORISTS. HOWEVER, FOLLOWING SEPTEMBER 22 TERRORIST INCIDENTS IN RIO (REF C), MINISTER OF JUSTICE FALCAO, IN STRONGEST STATEMENT SO FAR, EXPRESSED GOVERNMENT'S DETERMINATION TO INVESTIGATE AND PUNISH THOSE RESPONSIBLE. IF THE PRESIDENT FOLLOWS THROUGH ON THIS DETERMINATION IT COULD WELL PRODUCE NEW FRICTIONS BETWEEN HIMSELF AND SOME ELEMENTS OF THE SECURITY FORCES--TO WHOM RIGHTIST TERRORISTS BELIEVED TO BE LINKED. THE PRESIDENT APPEARS TO BE CAREFULLY AVOIDING ANY OPEN CONFLICT WITH HIS CONSERVATIVE CRITICS OTHER THAN HIS GENERAL CONDEMNATION OF EXTREMISM, WHILE IN PUBLIC STATEMENTS HE CONTINUES TO ATTACK THE MDB AS "UNPATRIOTIC" OR AS CRITICS WITHOUT POSITIVE ALTERNATIVES. AS THE ECONOMIC SITUATION HAS WORSENERED, GEISEL SHOWS NO SIGNS OF WEAKENING HIS SUPPORT FOR THOSE MINISTERS UNDER RISING ATTACK FOR INEFFECTIVE POLICIES, CHIEF OF THE PLANNING SECRETARIAT, REIS VELLOSO, FINANCE MINISTER SIMONSEN, TRADE AND ENERGY MINISTER SEVERO GOMES AND FOREIGN MINISTER SILVEIRA. AS KEY MILITARY SLOTS HAVE OPENED UP BY RETIREMENT OR NORMAL END-OF-TOUR ASSIGNMENTS BY THE ENCUMBENT, GEISEL HAS CONTINUED TO PLACE HIS OWN MEN IN THOSE POSITIONS. FINALLY IN RHETORIC AND IN PRACTICE THE GOVERNMENT CONTINUES TO SHOW

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FIRMNESS AGAINST LEFT-WING SUBVERSIVES (I.E., ACTIVITIES OF THE PCB) TO HEAD OFF ANY AGGRAVATION BY THE LEFT OF THE EXISTING UNREST AND TO KEEP THE PRESIDENT INVULNERABLE TO RIGHT-WING CHARGES OF SOFTNESS ON SUBVERSION.

15. OPTIONS AND PROSPECTS. WE CONSIDER THAT THE OUTCOME OF NOVEMBER 15 ELECTIONS WILL BE MAJOR DETERMINANT AS TO WHETHER GEISEL CAN REMAIN ON PRESENT POLITICAL COURSE OR WHETHER HE WILL FACE SERIOUS NEW PRESSURES FOR ABRUPT RETURN TO MORE AUTHORITARIAN RULE. WE ASSESS THE LIKELY EFFECTS OF THE TWO MOST PROBABLE OUTCOMES AS FOLLOWS:

OUTCOME "A": FOR GEISEL, ELECTION OUTCOME WOULD PROBABLY BE CONSIDERED FAVORABLE IF ARENA RETAINS CONTROL OF AT LEAST 80 PERCENT OF THE TOTAL MAYORALTIES AND CITY COUNCIL SEATS IN THE COUNTRY (IT NOW CONTROLS 89 AND 84 PERCENT RESPECTIVELY) WHILE ACHIEVING ROUGH STANDOFF WITH MDB IN TOTAL POPULAR VOTE, OR AT LEAST LIMITING MDB POPULAR VOTE EDGE TO SOMETHING NEAR 1.1 MILLION PLURALITY MDB SCORED IN 1974 CHAMBER OF DEPUTIES ELECTIONS. RESULTS ALONG SUCH LINES WOULD ALLOW ARENA AND GEISEL WITH SOME PLAUSIBILITY TO CLAIM VICTORY IN SPITE OF MDB GAINS. IN SUCH CASES, WE WOULD EXPECT GEISEL TO FEEL FAIRLY SECURE IN TAKING NO STRONGLY REGRESSIVE POLITICAL STEPS SUCH AS MANIPULATING

OR ABORTING THE 1978 ELECTIONS, THOUGH WE WOULD CONSIDER POSSIBLE STEPS BY HIM IN LONGER TERM TO CHANGE FORMAT OF 1978 ELECTIONS. WE ALSO BELIEVE GEISEL WOULD FEEL SUFFICIENTLY IN CONTROL TO MAINTAIN MODEST IMPROVEMENTS IN PRESS FREEDOM AND PROTECTION OF HUMAN RIGHTS. BUT NOTWITHSTANDING ELECTION RESULTS THAT WOULD SAVE ARENA'S FACE ON THIS OCCASION, WE WOULD NOT RULE OUT PRESIDENTIAL ASSENT TO CHANGES IN THE TWO-PARTY SYSTEM, POSSIBLY INVOLVING CREATION OF ADDITIONAL PARTIES TO BLUR CURRENT PRO-REVOLUTION AND ANTI-REVOLUTION ASSOCIATIONS INHERENT IN PRESENT SYSTEM. UNDER THIS OUTCOME WE WOULD CONSIDER CABINET CHANGES UNLIKELY, THOUGH NEW AND TOUGHER MEASURES TO COPE WITH ECONOMIC PROBLEMS MIGHT WELL BE FORTHCOMING ONCE ELECTIONS ARE OVER WHATEVER THE OUTCOME. UNDER OUTCOME A GEISEL, RETAINING CONTROL, WOULD ALSO BE IN CONSIDERABLY BETTER POSITION TO CARRY OUT HIS DETERMINATION TO DELAY THE SUCCESSION PROCESS AND TO KEEP THAT PROCESS UNDER HIS CLOSE PERSONAL CONTROL AND INFLUENCE. WE UNDERSTAND THE PRESIDENT WOULD PREFER THAT THERE CONFIDENTIAL

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BE NO SERIOUS CAMPAIGNING BY PRESIDENTIAL ASPIRANTS EARLIER THAN LATE 1977. EVEN WITH OUTCOME A, AS WE SEE IT, THERE WOULD BE CONTINUING PRESSURE ON GEISEL NOT TO MOVE ANY FASTER ON "DISTENSAO" AND ECONOMIC DIFFICULTIES WOULD CONTINUE TO CONTRIBUTE TO POLITICAL UNCERTAINTY AND PROVIDE FUEL FOR ATTACKS ON THE PRESIDENT FROM THE RIGHT. HOWEVER, BARRING TOTAL ECONOMIC DISASTER GEISEL WOULD STILL BE LIKELY TO MAINTAIN THE NECESSARY MILITARY AND TECHNOCRATIC SUPPORT TO FEND OFF THE WORST PRESSURES FROM THE RIGHT.

OUTCOME B: GEISEL WOULD HAVE FAR LESS FREEDOM OF ACTION IF ARENA IS DEFEATED SO SOUNDLY IN DECEMBER THAT THERE IS NO REASONABLE COSMETIC BASIS FOR CLAIMING RESPECTABLE SHOWING. WE CONSIDER IT RISKY TO TRY TO POSIT A PRECISE QUANTITATIVE DIVIDING LINE BETWEEN A FAVORABLE ARENA SHOWING AND AN UNFAVORABLE ONE, AND IN THIS RESPECT WE RECOGNIZE THAT THE ELECTORAL OUTCOME COULD BE AMBIGUOUS, LEADING TO MORE AMBIGUOUS RESPONSES BY GEISEL AND HIS CRITICS. WE WOULD CONSIDER DEFEAT WOULD BE APPARENT TO ALL, HOWEVER, REGARDLESS OF BEST SOPHISTRY, IF MDB INCREASED IT SHARE OF MAYORALTIES AND CITY COUNCIL SEATS FROM PRESENT ELEVEN AND SIXTEEN PERCENT TO ABOUT 30 OR 35 PERCENT, AND/OR GAINED POPULAR VOTE VICTORY EQUAL TO OR GREATER THAN THE MDB'S 4.5 MILLION VOTE EDGE IN THE 1974 SENATE RACES. UNDER OUTCOME B WE BELIEVE GEISEL WOULD BE IN VERY POOR POSITION TO RESIST PRESSURES FOR REIMPOSITION OF PRESS CENSORSHIP, FREER REIN FOR THE SECURITY FORCES IN DEALING WITH SUBVERSIVES, AND DRASTIC STEPS TO REIN IN MDB OPPOSITION AND CANCEL 1978 ELECTIONS OR TRANSFORM THEM INTO CAREFULLY CONTROLLED BUT MEANINGLESS EXERCISE. GEISEL MIGHT WELL TAKE THE LEAD IN THESE REGRESSIVE STEPS RATHER THAN FACE DISTASTEFUL PROSPECT OF HAVING THEM

FORCED UPON HIM. UNDER OUTCOME B WE WOULD ALSO FORESEE GREATER POSSIBILITY OF CABINET RESHUFFLE AS GEISEL'S ABILITY TO PROTECT HIS MINISTERS WOULD BE WEAKENED. SIMILARLY WE WOULD EXPECT THE SUCCESSION PROCESS TO BEGIN FAR EARLIER THAN GEISEL WOULD LIKE WITH GEISEL'S ABILITY TO INFLUENCE EITHER ITS TIMING OR OUTCOME SERIOUSLY IMPAIRED.

16. AT THIS POINT WE PREFER TO POSTPONE SPECULATION ON THE OUTCOME OF THE CURRENT ELECTION CAMPAIGN, WHICH REACHED HALF-CONFIDENTIAL

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WAY POINT ON OCTOBER 1. WE ARE WATCHING THE CAMPAIGN CLOSELY AND EXPECT TO BE ABLE TO COMMENT ON THE ELECTION PROSPECTS OF ARENA AND MDB CLOSER TO ELECTION DATE NOVEMBER 15. END TEXT.

17. AMBASSADOR CONCURRED IN SUBSTANCE OF THIS REPORT PRIOR TO HIS DEPARTURE FOR WASHINGTON, ALTHOUGH HE HAS NOT SEEN IT IN ITS FINAL FORM. JOHNSON
UNQUOTE KISSINGER

CONFIDENTIAL

<< END OF DOCUMENT >>

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